

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 EB-07 COME-00 AID-05 EUR-12 IGA-02

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1641

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DEPT PASS AID

EO 11652: NA

TAGS: BEXP, EAID, EG

SUBJECT: CHEMTEX/DUPONT POLYESTER PROJECT

REF: (A) STATE 77157, (B) CAIRO 2271

1. CHEMTEX OFFICIALS HAVE BEEN VISITING CAIRO WITH CONSIDERABLE FREQUENCY OVER PAST MONTHS (VP ALAN DAVIS WAS HERE IN PAST WEEK) AND AID/W (STERNER, NE/CD) IS CURRENT ON STATUS OF PROJECT. SUMMARY BELOW SHOULD, HOWEVER, PROVIDE BASIS FOR REPLY FROM UNDERSECRETARY ROBINSON TO REMMER.

2. ON DECEMBER 23, 1975 EGYPT ENTERED INTO CONTRACT WITH THE FRENCH FIRM RHONE/POULENC FOR THE DESIGN, ENGINEERING AND SUPPLY OF A 25,000 MT/Y POLYESTER/STABLE FIBER PLANT. THE CONTRACT IS EFFECTIVE UPON EGYPT PAYING TEN PERCENT OF THE CONTRACT PRICE (THE REMAINING 90 PERCENT IS A COMBINATION OF SOFT AND COMMERCIAL CREDITS). THE ORIGINAL PERIOD ALLOWED FOR PAYMENT WAS THREE MONTHS, BUT HAS BEEN EXTENDED TO APRIL 6. A NUMBER OF CONDITIONS INCLUDED IN CONTRACT VARIED GREATLY FROM ORIGINAL FRENCH OFFER (E.G., INCREASE IN PRICE AND INTEREST RATE, PROHIBITION ON EXPORTS). OVER PAST THREE MONTHS EGYPTIANS HAVE ATTEMPTED TO RENEGOTIATE MOST TERMS

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AND APPARENTLY, AT MOST LEVELS, ARE NOW SATISFIED WITH

FRENCH CONTRACT. WE HAVE BEEN INFORMED THAT TEN PERCENT PAYMENT WILL BE MADE ON MONDAY, APRIL 6.

3. ASSUMING PAYMENT IS MADE, IT WILL CLOSE THIS CHAPTER. WE WILL ADVISE DEPARTMENT NEXT WEEK IF PAYMENT IS IN FACT MADE AND IF NOT, WHY; BUT WE DOUBT THAT, AT THIS LATE DATE, FRENCH CONTRACT WILL BE ABORTED WITH RESULT THAT EGYPTIANS WOULD RE-OPEN NEGOTIATIONS WITH CHEMTEX/DUPONT. AS WE HAVE PREVIOUSLY REPORTED, DESPITE OUR EFFORTS POINT UP QUALIFATIVE DISPARITY BETWEEN CHEMTEX AND FRENCH OFFER, COGE- AND ESPECIALLY MININDUSTRY SHAHIN --SEEMS IRREVOCABLY COMMITTED TO FRENCH.

4. IN EARLY JANUARY, GOE, AT SENIOR LEVEL, SUGGESTED THAT A SECOND 25,000 MT/Y POLYESTER STABLE FIBER PLANT BE CONSTRUCTED, WITH CHEMTEX/DUPONT AS THE CONTRACTOR, AND FINANCED BY AID. WE REVIEWED PROJECT AND CONCLUDED THAT EGYPT DOES NOT HAVE THE CAPACITY TO ABSORBE EVEN ITS FIRST 25,000 MT/Y OF STABLE FIBER WITHOUT A LARGE INVESTMENT IN DOWNSTREAM SPINNING, WEAVING AND DRYING FACILITIES AND THAT A SECOND PLANT COULD ONLY PROCEED ONCE THIS INVESTMENT IS IN PLACE (ESTIMATE IS 350 MILLION DOLLARS ADDITIONAL INVESTMENT NEEDED TO UTILIZE AN ADDITIONAL 25,000 MT/Y OF POLYESTER). WE INFORMED GOVERNMENT OF THIS DECISION (REF B).

5. IN FEBRUARY WE WERE AGAIN APPROACHED BY THE GOVERNMENT TO CONSIDER A 3,000 MT/Y POLYESTER FILIMENT PLANT TO BE CONSTRUCTED WITH CHEMTEX/DUPONT (OR POSSIBLY CHEMTEX/ROHM AND HAAS), AND FINANCED BY AID. THIS PROJECT IS UNDER CONSIDERATION AND WE INTEND TO EMPLOY AN AMERICAN CONSULUTING FIRM TO REVIEW ENTIRE OPERATIONS OF ITS IMPLEMENTING COMPANY, MISR RAYON, INCLUDING A TECHNICAL-ECONOMIC STUDY OF ITS POLYESTER FILIMENT FIBER PROJECT. ESTIMATED INVESTMENT IS ABOUT 15 MILLION DOLLARS FOR THE POLYESTER PLANT AND 25 MILLION DOLLARS IN DOWNSTREAM FACILITIES.

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6. IN MARCH WE WERE APPROACHED BY THE MISR BANK, A NATIONAL BANK THAT FORMERLY WAS INSTRUMENTAL IN ESTABLISHING MANY LARGE INDUSTRIAL ENTERPRISES, REGARDING THE FINANCING OF A COMPLETELY INTEGRATED NEW 25,000 DOLLAR MT/Y POLYESTER STABLE FIBER PROJECT. PROJECT WOULD BE A JOINT VENTURE BETWEEN MIST BANK AND US FIRMS OF WHICH CHEMTEX/DUPONT WERE SUGGESTED.

TOTAL INVESTMENT FOR FULLY INTEGRATED PLANT
ESTIMATED AT 1.4 BILLION DOLLARS OF WHICH
900 MILLION DOLLARS IS FIXED COST. MEETING WAS
PRELIMINARY AND MISR BANK IS STILL DOING ITS
HOMEWORK. WE DOUBT THAT THIS PROJECT WILL
MATERIALIZE, PRINCIPALLY BECAUSE OF SIZE OF
INVESTMENT.
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